

Resource Management



1st Quarter 2005

Army Vision

Relevant and Ready
Landpower in Service
to the Nation



This medium is approved for official dissemination of material designed to keep individuals within the Army knowledgeable of current and emerging developments within their areas of expertise for the purpose of professional development.

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**ASSISTANT SECRETARY
OF THE ARMY
FINANCIAL MANAGEMENT
AND COMPTROLLER**

Valerie Lynn Baldwin

**MANAGING EDITOR,
THE PENTAGON**

Wilett Bunton

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Assistant Secretary of the Army
(Financial Management and Comptroller)

The Honorable Valerie L. Baldwin

GFEBS: Paving the Way for Business Transformation

Army transformation and the transition to new warfighting formations and concepts are proceeding apace. The Chief of Staff and the Secretary are pressing the case with the Office of the Secretary of Defense (OSD), the Office of Management and Budget and the Congress – and are reaping substantial successes. Near-term funding for modularity is secure. We are launching a new effort to educate the Congress about the Army Force Generation Model. The Future Combat Systems program is moving forward. And, of course, our troops continue to perform superbly in the Afghanistan and Iraq theaters.

We also are making progress in the quest to transform the business side of the Army's house. To support the Secretary's and Chief's priorities, the financial and resource management communities must look for ways to shepherd better the taxpayers' money and to uncover hidden savings that could be redirected toward transformation or improving our Soldiers' quality of life. It is our responsibility to help the Army operate more efficiently and effectively.

With this in mind, FM&C is pursuing several important projects. By now, everyone should at least have a cursory familiarity with the most important of them: the General Fund Enterprise Business System (GFEBS) and the Financial System Review,

Analysis, and Categorization (FINSRAC) of our information technology. Since the last issue of the magazine, I am pleased to say, both of these efforts have advanced.

The GFEBS program office released a request for quotes for a system integrator and the first portion of the commercial-off-the-shelf software solution on March 21. The Army is now evaluating the various proposals. We expect to award a contract by the end of June and to have the first release of GFEBS software nine months later. The program office already has awarded a program support office contract to Binary Consulting.

The first release of GFEBS entails a demonstration of GFEBS' full capabilities. We will demonstrate general ledger, accounts payable, accounts receivable, cost management, funds control, and reporting capabilities in support of real property inventory management. The demonstration will enable us to determine if GFEBS is capable of meeting the Army's entire general fund financial management needs. A successful demonstration will enable the program to continue. If the demonstration is not successful, we will terminate the program and pursue other alternatives.

We are certain GFEBS will get off the ground this year, thanks to approval from Congress for an FY 2005 \$28 million reprogramming request, which

OSD recently executed. The Army also expects to receive soon from OSD full Milestone A approval, which to date has been strictly conditional. We are now on the way to achieving full implementation of GFEBS by 2010.

Of course, there is a lot to be done between now and then, not the least of which is preparing the Army psychologically for this monumental reform. GFEBS is going to look different and will operate differently. It may take some effort to get used to it. But, it is essential that we embrace the concept of change now so that, when GFEBS arrives, the transition is as smooth, painless and immediately beneficial as possible.

The FINSRAC effort is making significant progress, as well. FINSRAC provides detailed cost, technical and functional information regarding the Army's financial management systems. The second iteration of financial system review, analysis and categorization, which FM&C completed in February, identified 256 total financial systems. Preliminary analysis then determined that 65 of these systems either belonged to a business area other than FM&C or were not truly information technology systems.

Of the 191 systems subsequently left in the Army's financial management inventory, FINSRAC has provided detailed cost, technical and functional information for 142. These data will be incorporated into the Single Army Financial Enterprise (SAFE) architecture, which should be finished by March 2006. SAFE, in turn, will be used to establish functional and technical requirements for GFEBS. The ultimate goal is to build those requirements into GFEBS' core capability, and thus reduce the total number of financial management systems.

So far, our analysis has determined that the requirements of 26 financial management systems can be met in the core GFEBS capability. The remaining 165 systems are under examination. We plan to complete this analysis and develop a schedule for system elimination by September 2005.

FM&C will be able to retire the 26 systems whose capabilities are slated for inclusion into GFEBS, which, through reduced operating costs, will generate sizeable savings. We are not yet sure how much we will gain by removing these 26 systems but we do know that, in FY 2005, FM&C will spend about \$250 million on financial systems -- and the total bill likely is even greater, for we still are compiling data for all of our systems. Without a doubt, the cost of running multiple, disparate, non-integrated systems is significantly greater than operating a single, integrated system like GFEBS.

While GFEBS and FINSRAC constitute major steps in the right direction, there certainly exist myriad other ways for us to improve financial and resource management in the Army. I ask that you turn a critical eye on the processes and practices of your organization and professional discipline. Please tap your creativity to help the Army operate more smartly so that we can maximize every dollar we receive. We hold a large portion of the responsibility for the success of transformation, the Global War on Terrorism and maintaining the best all-volunteer force in the world. Let's answer this call to duty.

I would like to thank each of you for your outstanding service to the Army and the nation. I am very proud to be a member of the Army team and excited to take part in one of the broadest and most fundamental reforms in the service's history. I hope that you share this enthusiasm and will join me in taking the Army into the future.

Reducing the Army's Requirements–Funding Gap

By Jim Anderholm

Disclaimer: The opinions expressed in this article are those of the author and do not reflect the official positions of Headquarters, Department of the Army nor the Department of Defense.

Introduction

In the lead article to this issue of Resource Management, Secretary Baldwin outlines a set of strategic priorities for the Army's financial management community. Among those priorities is the need to reduce the gaps between Army requirements and their funding. Clearly, she outlines three reasons why the Army must reduce the gap:

- Large unfinanced requirements (UFR) divert senior management and staff attention.
- Large UFRs raise creditability issues with the Office of the Secretary of Defense, Office of Management and Budget, and Congress.
- Large UFRs perpetuate an expectation in the field that funding will eventually come.

But just what is the requirements funding gap, and why is this strategic initiative important to Army resource managers? This article hopes to define and frame the issue of the requirements funding gap, propose that the gap is similar to corporate debt, posit how the Army got into the predicament it is in, outline preliminary steps that are being taken at Headquarters Department of the Army (HQDA) to modify the requirements validation process to lower the Army corporate debt load, and finally raise several issues with regard to the debt management issue.



Some Historical Data

Table 1 portrays the corporate Army's requirement and funding trend over the last three Presidents Budget positions extended through their applicable Future Years Defense Program (FYDP) timeframes.

While the data indicates the average yearly unfinanced requirement (UFR) decreases 16% from the President's Budget 04-05 position to the President's Budget 06-07, the Army still carries a substantial \$20-30 billion per year in UFRs. Given the Administration's goal to reduce the budget deficit, the annual funding top line for the Army will likely level out at the \$100-105 billion (in constant FY06 dollars) over the course of the FYDP. Some foretell a decreasing funding line for the outyears. Given this state of fiscal affairs, one has to question why the Army is willing to accept such a sizable annual debt load "on the books". If we think of this debt load the way the business world views debt, the expectation is this it will be liquidated some time in the future. With a corporate

business model in mind, what does the Army do with this heavy load of corporate debt on its books?

The Concept of Army Corporate "Debt"

In Barron's Dictionary of Finance and Investment Terms¹, debt can be defined in two ways:

1. Money, goods, or services that one party is obligated to pay to another in accordance with an expressed or implied agreement.
2. General name for bonds, notes, mortgages and other forms of paper evidencing amounts owed and payable on specific dates or on demand.

Obviously these definitions for debt are structured for the corporate finance world. For the purposes of our discussion a slight rewriting of the second definition would give us a reasonable definition of corporate Army debt that we can use for our discussion:

Army debt is the general name for unfunded validated requirements evidencing amounts owed and payable on a future date.

In the corporate business world, a firm has several means to reduce its debt. It can:

- Generate additional revenue through sales.
- Restructure the debt, e.g., renegotiate the debt's interest rate.
- Divest debt producing operations.
- Sell additional corporate stock.
- Use cash reserves to liquidate the debt.

The Army unfortunately is not given the flexibility of all these options. Generally it can try to get additional revenue (either by internally generating it through efficiencies, or from Congress) or it can divest itself of the operations generating the debt load.

Continuing with the corporate business analogy, what is the incentive for OSD and Congress to provide additional revenue (i.e., funding) if the Army is successfully accomplishing its mission within current resourcing constraints? We have somewhat of a

Gordian knot – the Army is “successfully” accomplishing its mission within currently allocated resources, yet it continues to carry these huge debts! So it seems that the only means we have to reduce our debt load is to look at debt divestiture.

How Does the Army Acquire its “Debt” Load?

In the PPBE system Army requirements are generated from a number of sources both internal and external to the Army.² Requirements, no matter the source, once they reach HQDA are generally processed as follows:

- During the annual PPBE cycle, HQDA program evaluation groups (PEG) evaluate and validate the requirements generated by the Major Army Commands (MACOM) and other operating agencies (e.g., Program Executive Officers (PEO)), combatant commanders (COCOM), HQDA staff proponents, senior Army leadership decisions, OSD decisions (e.g., the last round of Program Budget Decisions), and congressional legislative actions.
- The requirements determination and validation process/phase of PPBE

should consider the full spectrum of Army operations and functions, and address all DOTMLPF domains (doctrine, organization, training, materiel, leadership and education, personnel, and facilities) that may be impacted by the requirement. Toward this end, HQDA analyzes the contribution made by a requirement to the overall operational objectives of the Army as well as to its joint interoperability and affordability. The goal of centralizing the requirements validation focuses the efforts to develop clear value-added capabilities matched to future goals at both Joint and Army levels.

- PEGs review the scope, quantity, priority, and qualitative nature of resource requirements that define their portion of the Army program. In the process, PEGs review assigned Management Decision Packages (MDEP). They review command and agency requested requirements submitted via the commands’ or agencies’ POM submissions to HQDA. At the same time PEGs review COCOM integrated priority lists (IPL) as well as resource needs expressed by

the supporting Army Component Command (ACC).

- Requirements are integrated into a MDEP and entered by the PEG into a central requirements database repository maintained at HQDA. Based on senior Army leadership funding guidance, the PEG allocates funding and manpower resources to its validated requirements. Additionally the PEG provides to the G3 a rank ordering of its validated program requirements for integration into an Army 1-n priority list of funded and unfunded requirements.

As demonstrated in Table 1, there is not enough funding to resource all requirements, hence the creation of UFRs or corporate debt for the Army. Despite the major bureaucratic effort that HQDA and subordinate agencies execute every year to determine and validate requirements and subsequently assign a level of resourcing to the requirements, the Army consistently maintains a debt load of 25-30 percent of its funding. Two axioms seem to contribute to this continuing debt load level:

1. The unrealistic expectation that if the Army has a higher debt level then the “bankers” will realize our predicament and give us more resources.

Table 1

(\$Billions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Average UFR per Yr
President’s Budget 2006–2007 Position									
UFR			\$33	\$28	\$28	\$24	\$23	\$20	\$26.0
Funding			\$99	\$110	\$116	\$120	\$123	\$126	
Requirements			\$132	\$138	\$144	\$144	\$146	\$146	
President’s Budget 2005 Position									
UFR		\$30	\$29	\$29	\$27	\$27			\$28.4
Funding		\$99	\$104	\$109	\$115	\$118			
Requirements		\$129	\$133	\$138	\$142	\$144			
President’s Budget 2004–2005 Position									
UFR	\$32	\$32	\$31	\$33	\$29	\$30			\$31.1
Funding	\$94	\$98	\$104	\$109	\$114	\$117			
Requirements	\$126	\$130	\$135	\$142	\$143	\$147			

2. The unwillingness to tie realistic program requirement levels to fund availability.

To address the first axiom let's look at the history of service funding over the last 14 years.³ Chart 1 reflects the division of service funding using constant FY04 dollars.

Chart 2 reflects Service dollar data as percentage of the DoD total.

When no major contingency operation are underway, the Army's percentage of the DoD fiscal pie hovers between 24 and 26 percent.⁴ Clearly from the 14-year trend, one concludes that maintaining a large debt

level has made little difference in the Army's ability to obtain additional resources for its base non-GWOT programs. So one has to ask if this strategy should be changed?

The second axiom also contributes mightily to the debt burden. Army plans and models used to generate requirements take little heed of the budgetary environment. For example, in the MDEP for military construction where a set model/procedure for determining yearly construction requirements is used, funding for those generated requirements has consistently been below 40 percent (see Chart 3).⁵ Analysis of other investment

(procurement and construction) related MDEPs show similar funding postures.

This must beg the question, why not reevaluate the timing of military construction projects based on resource availability and realistically lower the requirement levels so that funding approximates say 85 percent of the requirement? Using this methodology would reduce the requirement funding gap by \$2.3 billion in FY 07 alone. There are other high requirement / low funding MDEPs where magnitudes of this level can be achieved.

**Chart 1. DoD Budget Authority by Service
Constant FY 04 \$ Billion**

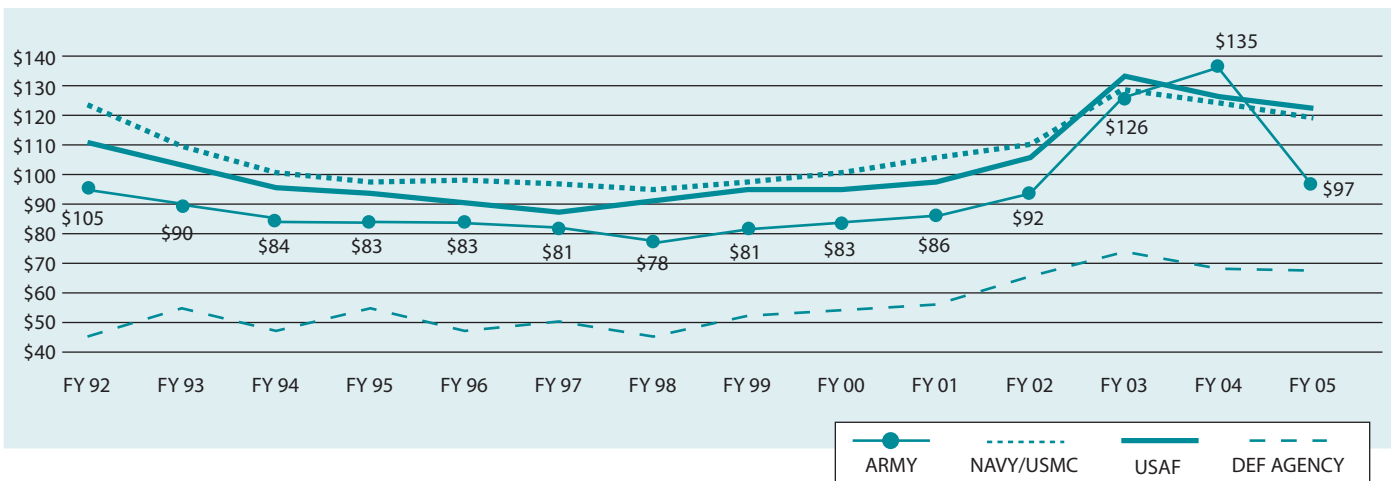
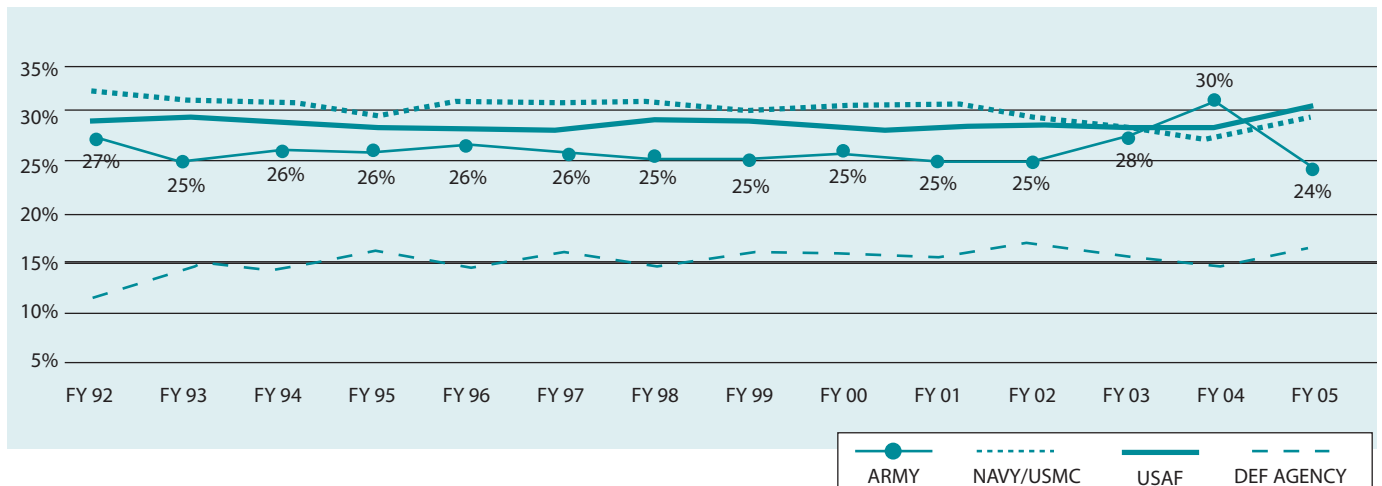


Chart 2. DoD Budget Authority Percentage by Service



Solving the Army's debt problem

Two major efforts are underway at HQDA to lower the Army's debt problem.

The first addresses how requirements are dealt with in the PPBE system. Led by the Director for Program Analysis and Evaluation in coordination with other HQDA staff elements, the Lean Six Sigma⁶ business improvement process is being used to evaluate the Army's PPBE system. Specifically, Lean Six Sigma methods are being used to redesign the PPBE processes associated with the requirements validation and resource allocation. The desired outcome of these efforts is to create a more responsive PPBE system that includes a resource-informed, and therefore more realistic requirements validation process.

The second effort I would suggest for consideration is directing the PEGs to achieve a specified reduction in their current validated requirement levels. PEGs would be given requirement ceilings, say certain percentage above their established funding ceilings. The percentage would be established so that the Army's overall UFR to funding percentage is much lower than the current 20-30 percent figure. Validated requirements beyond this ceiling would be deleted from the requirements database, or reprogrammed to a later period beyond the FYDP. This effort could be used to

accomplish Ms. Baldwin's strategic goal to reduce the Army's debt.

Some Final Thoughts

Many will argue that artificially lowering the requirement levels in the PPBE system will distort the Army's requirement picture and will ask how the Army will be able to keep track of what of its needs if requirements are eliminated?

This is a reasonable question, but in retort it misses the point central to the strategic resourcing of the Army. The Army, even in wartime must deal with a limited resource stream. Granted, there are many "unfunded" portions of programs, or whole programs in the Army that are worthy and no doubt could contribute in some way to accomplishing the Army's mission if there was additional funding. Nevertheless unfunded program worthiness is not relevant given the nature of the current and future funding streams for the Army and the priorities it has used for "racking and stacking" its programs.

So I close this article with two rhetorical questions:

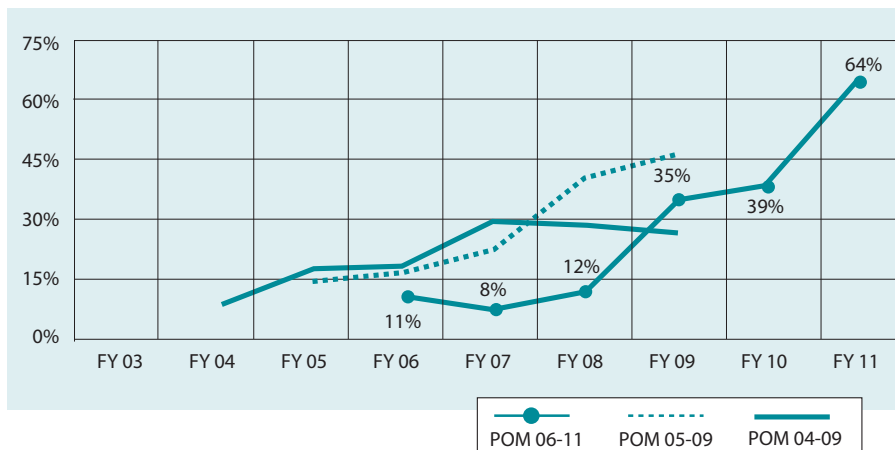
- Is it not time for the Army, specifically HQDA, to perform a "clean sweep" and get realistic about programs or portions of programs that are never going to see a dollar in applied resourcing?

- Would not the HQDA staff along with supporting staffs at subordinate organizations better serve their leadership by concentrating on emerging critical requirements, instead of continuing to churn requirements that historically have been under-funded?

End Notes:

1. Downs, John and Jordon Goodman, Dictionary of Finance and Investment Terms, 6th ed., Baron's Educational Series Inc, Hauppauge, NY, 2003, pg 162.
2. U.S. Army War College, How the Army Runs, Carlisle PA, 2004, Chapter 9. This chapter gives a very detailed description of the Army's Planning Programming Budgeting and Execution System.
3. Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY 2005, Washington DC, March 2004, pages 78-79.
4. In FY 03 and FY 04, major supplemental appropriations for Global War on Terrorism (GWOT) associated operation (e.g., Operation Iraqi Freedom) drove the Army's percentage higher. The FY 05 data above only reflects the base program for the Services. As of this writing, Congress is still working on the FY 05 supplemental appropriations bill.
5. This is an illustrative example and does not encompass all military construction requirements that are reflected in other MDEPs.
6. Lean Six Sigma combines the Lean business improvement techniques with that of Six Sigma. A good article on the integrated technique can be found at the iSix Sigma website: http://www.isix-sigma.com/me/lean_manufacturing/ and at the Lean enterprise website: <http://www.lean.org/>

Chart 3. MDEP EVRT—Military Construction



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PBD 753

A Budget Strategy or a Budget Tragedy?

By William Campbell

On December 23, 2004, the Deputy Secretary of Defense approved Program Budget Decision (PBD) 753, *Other Secretary of Defense Decisions*. The PBD was the culmination of negotiations between the Department of Defense (DoD) and the Office of Management and Budget to reduce the DoD topline. The term topline is a euphemism for the total amount of new budget authority that the Department of Defense would request from the Congress for fiscal year (FY) 2006. The PBD documented decisions by the respective Military Departments to reduce their budget guidance in FY 2006 and beyond.

The Army, in contrast to the Navy and Air Force, approached this reduction by targeting how we do business, not what we do in our business. The Army reductions went after the processes and practices we use to carry out our Title 10 responsibilities whereas the Navy and Air Force took reductions in some of their major procurement programs used to fulfill their Title 10 responsibilities. The Army's strategy in PBD 753 was to reduce input – money – yet maintain the output – combat forces. In addition to targeting efficiencies, the PBD also embraced another more significant Army strategy.

Nothing reflects the priorities of an organization more than where it spends money. In this time of war, the Army has embarked on a strategy to enhance our ability to provide combat ready forces to the combatant commanders. PBD 753 actually implemented a two prong strategy – become more efficient in our business and become more lethal in our combat capabilities. Sometimes forgotten in the hand wringing over the reductions in PBD 753 is the fact that the PBD added \$5 billion per year beginning in FY 2007 for the Army Modular Force. Think about this for a moment. At a time when the President of the United States has directed every government agency within the Executive Branch to *reduce* their budget, he also agreed to *increase* the Army's budget by \$5 billion per year for the Army Modular Force. What more powerful endorsement of the Army's Modular Force strategy could there be?

Clearly, PBD 753 approves a strategy of enhancing the combat capability of the Army by transitioning all the components – Active, Guard, and Reserve – to a modular force. The PBD also sets a concurrent strategy to become more efficient in the development, delivery and sustainment of those combat forces. The two are linked. The former cannot succeed without the latter. How is the Army achieving these efficiencies and will this lead to the second part of the question – a tragedy?

The challenge facing the resource management community is that PBD 753 provides little in the way of guidance to achieve efficiencies. The rationale for the reductions fell into three broad categories: business reengineering, contract savings, and a recosting of military to civilian conversions. The Army's reductions were \$2.4 billion in FY 2006 – about three percent of our budget. But when we look at where those reductions were initially applied, most – almost 94 percent – went to the O&M accounts. Operation and Maintenance, Army (OMA), for example, took reductions in FY06 of \$1.8 billion, or just under seven percent of the appropriation. How do we achieve such savings?

The PBD and subsequent guidance give us some hints. In early February, General Cody, Vice Chief of Staff, signed a memorandum directing his commanders to change the way we do business and “eliminate non-value added functions and processes from all of our commands and staffs.” The memorandum further states, “...we must divest functions that are no longer relevant and reengineer processes to provide more effective and efficient support to the operating force.”

Recently, Secretary of the Army, Dr. Francis Harvey, released his Army vision. Change is a recurring and dominant theme. “Leading change ... solving complex problems ... transforming ... change to create the future Army,” are just some of the quotes from his vision. Business as usual is not part of the solution.

Since submission of the FY 2006 President's Budget, the Director, Program Analysis and Evaluation provided commands a target that combined the categories of reductions within PBD 753. Commands were given guidance to spread the reduction to any program and appropriation as a means to achieve efficiencies. In keeping with the intent of the reductions as expressed in the PBD, these targets were distributed to MACOMs and Agencies based on personnel costs and total budget authority.

Commands came back in a remarkably short time with their proposed reductions

and the Army staff has evaluated this input. For FY 2006, the staff recommended approval of about 75 percent of the proposed reductions. The balance of 25 percent or about \$650 million is either unacceptable or needs further analysis.

Where are the acceptable reductions applied? Some take up budget slack, the elusive yet seemingly ever present “extra” money in the budget. Others go after non-

The challenge facing the resource management community is that PBD 753 provides little in the way of guidance to achieve efficiencies.

core missions. Yet the majority of approved reductions focus on contractor support in support of research and development, maintenance of facilities and equipment, as well as base operations. This approach would seem counterintuitive given that contract operations should be more efficient than government operations. Or is it that the contractors provide enhancements to the government and contractor work can be reduced or eliminated more easily without denigrating the governmental function it supports?

The unacceptable reductions or those in need of more analysis were in the areas of our core missions like direct ground and air operating tempo, high visibility programs such as Army museums, or the reduction was unexecutable because the asset proposed was outside the control of the Army. In some cases the Army headquarters' staff will find alternative sources, but in most cases the submitting MACOM or Agency will need to find an alternative.

What is of most interest is what is not in the list of reductions – the elimination of internal processes and functions and therefore cuts to Army civilian end strength.

The FY 2006 reduction of \$2.4 billion, if applied entirely to civilian end strength, would yield a reduction of over 30,000 civilian workyears. How many workyears have we reduced as part of PBD 753? The answer, surprisingly, is less than 200.

We have made substantial progress in this first round of PBD 753 reductions, but we have more work to do in a relatively short time period to prepare for FY 2006 and FY 2007. We can and will revisit the outyears in future program reviews. We will struggle through this in a series of fits and starts. We will become annoyed with each other and frustrated with the bureaucracy. We will seek to pin blame on someone else for failing to achieve the end result. We'll even make some mistakes.

Yet our leadership has challenged the resource management community to tap into not only our professional experience, but also our creative intellect to find a better way to do business. We must expand beyond the science of resource management and exploit the art of our craft. Unlike a business, the government cannot fail. We have no choice but to succeed.

Are we on a path to a tragedy? It can be if we let it be. It can be if we approach this as business as usual. It will be if we ignore the realities of an Army at war. The course to steer is for you and me to determine. Success is up to us to achieve.

About the Author:

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Beyond the Suggestion Box

An Integrated Approach to Best Practices

By Major Tom Davies

Most “best practices” programs are the overblown equivalent of a suggestion box. Decentralized entities submit practices that are reviewed by a central body and approved individually based on promised returns. Implementation of the practices is usually limited to the submitting entity with universal dissemination taking the form of a database of good ideas. The Boeing Program Management System is something different. The system establishes an enterprise-wide set of best practices with common standards of implementation for each best practice. The standards are backed by an assessment schedule that ensures compliance. Finally, the system is owned by a group that has authority to enforce standards and change the system. The result is a best practices program that is disciplined enough to get results, agile enough to stay relevant in the business environment, and intelligent enough to evolve with experience. This approach to best practices could significantly improve the effectiveness and efficiency of business processes within the Army and fit well into the Army’s culture.

At Boeing, the group responsible for best practices is the Program Management Process Council. The council is charged with providing best practices and the assessment process for the practices. To accomplish this, the council developed the Boeing Program Management System (figure 1).¹ The system starts with a “core” set of best practices with underlying supporting practices. The best practices focus on the roles of leaders and how they manage the program. The supporting practices focus on practitioner-level efforts that feed the overall management system. The key is that all of the practices are seen as an integrated set. Successful program development, implementation, and support depend on the mindset that one cannot be done without the others.

The Boeing Program Management System is a continuous process. The Program Management Process Council assigns subject matter experts to each practice that serve as single focal points for the collection and

Figure 1

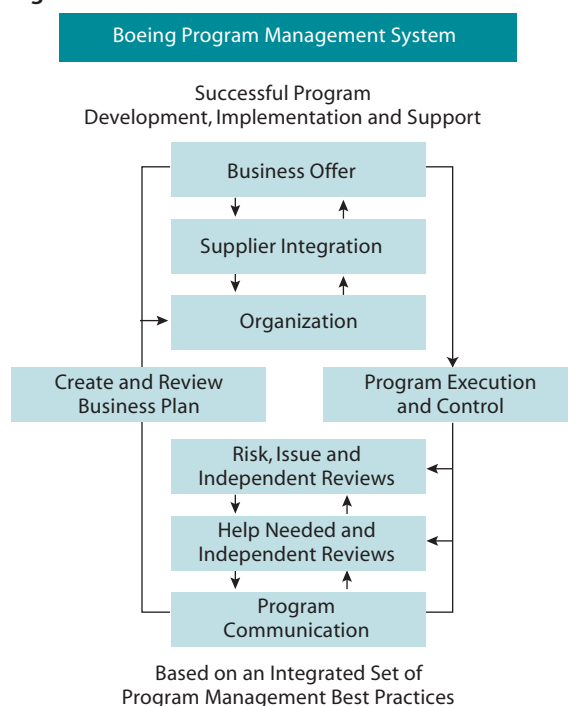
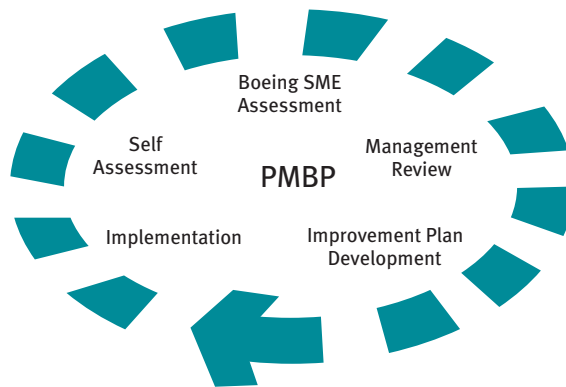


Figure 2

Capability Level	Initial 1	Repeatable 2	Defined 3	Managed 4	Optimized 5
	Process				
Attributes	Brief descriptions of the capabilities required to achieve each level.				
	Tools				
Attributes					
	Implementation				
Attributes					
	Cross-practice Integration				
Attributes					
	Environment				
Attributes					

Figure 3 Program Management Best Practices (PMBP) Assessment/Assist Process



dissemination of information. These subject matter experts conduct assessments of their practices, interact with one another to suggest improvements across practices, and inform the Program Management Process Council. Through this exchange, the best practices and underlying supporting practices evolve with changes in the environment and constant learning.

Boeing uses a maturity model to guide and measure the implementation of best practices.² The maturity model not only clearly defines the standards of each practice but also quantifies progress toward implementation. The model organizes each practice into standard components, defines attributes associated with the components, and lists the criteria required to achieve a specific level of maturity for each attribute (Figure 2). The standard components of all practices are: process, tools, implementation, cross-practice integration, and environment.

Any number of attributes can be assigned to each of these components, depending on the applicability to and complexity of each practice. A framework with five levels of capability define each attribute: 1) initial, 2) repeatable, 3) defined, 4) managed, or 5) optimized. With this model, implementation can be quantified and progress measured within and across practices. By dissecting each practice into components and using a clearly defined set of standards for each, Boeing ensures standardized and measurable compliance across the enterprise.

Major League Baseball has been generating a lot of news lately over steroid use by its players. Many contend it is not the league's policy that is lacking but its practices of enforcement. The argument is that without adequate testing, the rules have little significance. The same can be said of "best practice" programs that have

no mechanism to ensure the standards associated with the practices are being implemented. Boeing assures compliance with its best practices through a cyclical assessment process. (Figure 3) The process is a recurring flow from implementation to self-assessment to external assessment to management review to improvement plan development and back to implementation. The intent of this process is to create an environment of continuous improvement in the implementation of best practices.

At the core of the assessment process is the on-site assessment, an annual three to five-day audit of a program's best practices. It starts with an in-brief to the assessment team, during which the program's management presents an overview of the program, the results of its self-assessment, and a review of significant actions since the last assessment. From there, the subject matter experts for each practice conduct "deep dives" with their counterparts on the program to measure progress using the maturity model. The subject matter experts note significant issues with implementation, especially any discrepancies with the program's self-assessment. The assessment team then assembles their results and briefs the program's management on issues, trends and recommended actions. Finally, program management responds to the assessment team's findings and directs the development improvement plans where appropriate.

The Program Management Assessment Tool (PMAT) brings a high degree of standardization and data fidelity to the assessment process. PMAT is a web-based interface used to input and track self-assessments, subject matter expert

Figure 4
Army Training Management Cycle



assessments, and implementation metrics. The tool is also used to generate the on-site assessment out-briefs. However, the real power behind the tool is that inputs are fed into an Oracle database that allows the information to be “sliced” in many different ways. Trends in implementation can be identified within programs, across practices, and aggregated for individual components or attributes. This level of fidelity not only helps program managers identify areas for improvement but also focuses attention on enterprise-wide shortcomings or opportunities to enhance the overall program management system.

Interestingly, the Army Training Management Cycle (Figure 4) closely resembles the Boeing Program Management System. Army Field Manual 7-1, Battle Focused Training states, “The systems approach to training is an analytical method that determines what tasks units are expected to perform on the battlefield, under what conditions they will perform the tasks, and

Figure 5
Similarities of Boeing and Army Processes

Program Management System	Battle Focused Training
<ul style="list-style-type: none"> • Core Set of Best Practices • Maturity Model • On-site Assessments • Assessment Team Out-brief • Action Plans 	<ul style="list-style-type: none"> • Mission Essential Task List • Task-Conditions-Standards • External Evaluations • After Action Reviews • Training Plans

the standard that they must achieve.”³ As any Lieutenant could tell you, this approach is not only in place but completely ingrained in the Operational Army. Developing a Mission Essential Task List (METL) and defining the standards of performance under specified conditions for these tasks are the cornerstones of Army training. External evaluations and their resultant after action reviews, such as those conducted at the Army’s Combat Training Centers, ensure standardized implementation across the Army and focus commanders on areas for improvement. The similarities between the Boeing Program Management System and the Army Training Management Cycle (Figure 5) illustrate that an integrated approach to best practices could not only be very effective in improving the Army’s business practices, but also, fit easily into the Army’s culture.

After working within the Boeing Program Management System, the following lessons became apparent:

- An integrated set of best practices leads to greater gains in organizational efficiency and effectiveness than ad-hoc or decentralized approaches.
- Implementation of an integrated set of best practices can be greatly aided with the use of a standard framework such as the maturity model.
- A process of enforcement is necessary not only to ensure standardized compliance with an integrated set of best practices but also to foster an environment of continuous improvement.

- Powerful tools can bring a degree of analysis to an integrated set of best practices that is just not possible in decentralized or ad-hoc approaches.

By evaluating best practices individually we are not getting beyond a “suggestion box” paradigm. Although there are often measurable benefits from these programs, they are essentially collections of stand-alone practices that may not serve as enterprise-wide solutions. Simply put, “bringing a single best practice into a process flow is usually not successful.”⁴ Best practices programs similar to the Boeing Program Management System could significantly improve the efficiency and effectiveness of business processes.

Footnotes

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Implementing Six Sigma in the Army

By John Tobakos

Six Sigma significantly changes corporations and businesses. General Electric, Motorola, Xerox, Dupont have Six Sigma programs. The United States Army is also implementing Six Sigma. If Six Sigma succeeds, it will significantly change the current Army culture. Everyone from the Secretary of the Army to the lowest military member and civilian will be involved with Six Sigma.

What is Six Sigma?

Ronald D. Snee, author of *Six Sigma: The Evolution of 100 Years of Business Improvement Methodology*, defined Six Sigma as:

Six-Sigma is a business improvement approach that seeks to find and eliminate causes of mistakes or defects in business processes by focusing on process outputs that are of critical importance to customers. Six-Sigma projects also often focus on improving productivity, process yields, production rates and process downtime. As a result, process performance is enhanced, customer satisfaction is improved, and the bottom line is impacted through savings and increased revenue. Six-Sigma is a strategic approach that works across all processes, products and industries.

Six-Sigma is also a measure of process performance. The methodology utilizes 'process sigma' as a measure of process capability with a 6-sigma process having a defect level of 3.4 parts-per-million opportunities (ppm) and a 3-sigma process having a defect level of 66,807 ppm¹

Total Quality Management and Six Sigma seem similar. Six Sigma differs from Total Quality Management in four areas:

1. Clear focus on the bottom line;
2. Six Sigma sequences and links the improvement tools into an overall approach;
3. The five-phase improvement process; Define, Measure, Analyze, Improve, Control (DMAIC), sequences and links key improvement tools proven to be effective in improving processes. In the Six-Sigma method, DMAIC creates a sense of urgency by emphasizing rapid project completion in three to six months. Six Sigma builds on improvement methods that have been shown to be effective and integrates the human and process elements of improvement;

4. Six-Sigma creates an infrastructure of Champions, Master Black Belts (MBB), Black Belts (BB) and Green Belts (GB) that lead, deploy and implement the approach.²

Projects savings are measurable. If there are no measurable savings as the project progresses, the project ends. Ronald Snee believes that no project should be approved unless it will generate \$175,000 in savings. A Black Belt project should generate a \$1,000,000 in savings.³

The people involved in Six Sigma are designated with martial art terms. The Champion is a business leader. Champions provide the resources and support for implementing the process and the projects. Working with the Champions are Master Black Belts. These are the experts in Six-Sigma. They know the methodology and tools. They are culture changers. Black Belts and Green Belts get trained by Master Black Belts. The Black Belts were Green Belts. Black Belts received additional training and experience to earn their Black Belt. Many companies have a certification program. Generally, Black Belts lead Six Sigma project teams. Green Belts carry out Six Sigma projects. Green Belt projects are generally related to their current job. Green Belts have attended at least 40 hours of Six Sigma training and have completed at least one project under the careful supervision of a Black Belt.

When mass production started, increasing the quality of goods meant more inspections and tests. Inspections cost money to perform and increase costs by finding defects when the product is assembled. Six Sigma catches defects at every point. Defects don't get passed along until an inspection. Quality actually reduces costs. Quality products result in fewer external failures – warranty costs, complaint costs and returned materials. Internal costs are reduced through prevention of defects and having a properly planned production process. Defects approach zero by using process planning, process control and training.

Six Sigma uses the DMAIC method. The definition is:

- Define – What is the customer expecting from the process?
- Measure – What is the frequency of defects?
- Analyze – Why, when and where do defects occur?
- Implement – How can we fix the process?
- Control – How can we keep the process fixed?

Depending on the trainer's definition of DMAIC, the number of subordinate steps change. The current GE DMAIC process has 12 steps. Some DMAIC maps have 15 subordinate steps. Both maps achieve similar results. An organization picks one map and sticks to it.

Benefits don't come without some costs. Training costs money for instructors and money for trainee salaries. Everyone in the organization needs some level of training. Green Belts generally get five days worth of training. Black Belts get Green Belt training and an additional 10 days of training. The Champions (in the Army this could be the Secretary, Deputy Secretaries, Chief of Staff, Deputy Chiefs of Staff, and General Officers) get two days training.

In an organization utilizing Six-Sigma, many projects are undertaken and completed. Full-time Black Belts complete 3-5 projects each year and Green Belts complete 1-2 projects each year. As soon as a project is completed the Black Belt or Green Belt selects another project from the 'project hopper' – the list of projects selected, which all have been prioritized and are ready to go – and begins the improvement work. Six Sigma projects are conducted in all parts of the organization. To get a sense of the size of such an activity, a rule-of-thumb is that an organization should have one Black Belt per 50 professional employees and 10 Green Belt per Black Belt. These ratios of course vary from organization to organization. The point is that the number of Black Belts, Green Belts and Six Sigma projects

can be quite large in large organizations. For example, Bank of America recently reported that in a little over two years they have trained more than 10,000 Champions, Black Belts, Green Belts and Master Black Belts which have produced more than \$2B in savings.⁴

Inherent to any project are the costs of doing the project. Once a possible solution is selected, there's the cost of testing the solution. The solution test not only includes measuring the innovation, but also measuring it against the status quo. Two sets of independent data get measured and analyzed.

Successful Six Sigma Programs

Motorola developed Six Sigma. It started in the mid-1980's. It created the statistically based methodology called Six Sigma to improve process performance.

General Electric (GE) started working with Six Sigma in January 1996. Six Sigma is completely intertwined in the company culture. Here are some highlights of Six Sigma's history in GE.

January 1996

- First wave of Six Sigma training initiated
- Training material came largely from Corporate
- Directive to each business was to customize the material to fit

April 1998

- Six Sigma training group created
- Training material now "owned" by specific people
- Based on feedback received, significant improvement in material

February 2001

- Huge variation observed in Six Sigma standards across GE
- Conference of all training leaders convened at Crotonville
- Decision is made to develop a uniform standard for all GE personnel
- Adherence to this standard is to be ensured by a corporate test

September 2001

- New standard enacted⁵

Jack Welch, past Chairman and CEO of GE, made the following comments:

... the next CEO of this Company, decades down the road, is probably a Six Sigma Black Belt or Master Black Belt somewhere in GE right now, or on the verge of being offered—as all our early-career (three to five years) top 20% performers will be—a two-to-three-year Black Belt assignment. The generic nature of a Black Belt assignment, in addition to its rigorous process discipline and relentless customer focus, makes Six Sigma the perfect training for growing 21st century GE leadership.⁶

Caterpillar recognized a 2002 increase in sales of 12%, and profits rose 38%. At the time, Vice Chairman Jim Owens (now Chairman) recognized Six Sigma as a major contributor to the increase in profits.⁷

Dupont started their Six Sigma program in 1999. By 2001, the company announced savings of \$600 million in two years.⁸

Ford Motor Company started using Six Sigma in 1997. In 2001, the company completed 2,500 Six Sigma projects, at a savings of \$325 million.⁹

Six Sigma, in the right corporate culture, can significantly reduce expenses and improve product quality.

Six Sigma at General Electric Transportation

General Electric is made of several major businesses, like GE Healthcare, GE Commercial Finance, GE Advanced Materials, NBC Universal, GE Consumer Finance, etc. Each business takes guidance from the corporation, just like a Major Command in the Army. Just like a Major Command, each business operates independently of the other Commands. Every GE business practices Six Sigma.

The Six Sigma methodology and basic tools are standardized across the businesses. Just like Army policy, each business starts with the methodology and tools. General Electric requires Green Belt Training for salaried employees. Each business gets

graded on the percentage of salaried employees with Green Belt certification.

General Electric Transportation – Rail has a General Manager (the equivalent of a General Officer) for Quality. Master Black Belts report to the General Manager. The Quality General Manager helps other General Managers with major Six Sigma Projects by providing Black Belts. If a Black Belt has problems with a project, the Black Belt talks to a Quality Master Black Belt.

Rail introduced a new locomotive this year, called the “Evolution.” Rail developed this locomotive using Design with Six Sigma. The major North American railroads are using Evolution locomotives and report no major problems in over 4.5 million miles of use. The Evolution took less time to develop than GE’s previous locomotive, the AC4400, released in 1996.¹⁰ So far, the Evolution is more reliable than the introduction of the AC4400.

Implementing Six Sigma in the Army

Six Sigma may significantly reduce costs. It comes to the Army with certain qualifiers. It will drastically change the Army if senior leadership accepts Six Sigma’s inherent organizational changes. The Army will have to decide how successful project team members get rewarded, and how to use the potential savings.

Studies indicate that 67% of total quality initiatives and 80% of reengineering efforts have failed to produce their promised results.¹¹ How can the Army avoid these statistics?

American Express recognized the human variable can be the most difficult part of the Six Sigma process. The whole organization must accept Six Sigma principles.¹² American Express focused on a systemic approach to change – not just how to get it done, but how it gets done and the context or environment they operate in. Before starting Six Sigma projects, the Army should:

- List the major change initiatives currently underway in the organization.
- Look at the timing and the population affected by the change.

- Ask the business leaders to prioritize the Six Sigma initiative relative to the other initiatives affecting the same population.
- Have leaders articulate why they believe it is critical that Six Sigma be in the corporate DNA.

The Army must determine what might create resistance among the stakeholders. Here’s how American Express looked at resistance:

- The impact of change must be predicted by asking what has to change for the stakeholder to successfully implement the project and what are the specific issues that will surface as a result of this business imperative?
- Create a Vision: Creating a vision is not coming up with lofty mission statements, but asking why you are entering into this change. If you don’t have a clear picture in your mind, how will you enroll others in your journey? A key step is effective communication. Use multiple formats of communications.
- Drive Commitment: Develop plans to cascade sponsorship downward throughout the Army. This is done by the senior management’s active communication of its expectations of their direct reports in sponsoring Six Sigma.
 1. This includes issues dealing with surfacing resistance to the changes that occur with the implementation of Six Sigma.
 2. Leaders may resist the reallocation of resources that become Black Belts or the visibility of defects identified in processes they own. Employees who are not Black Belts may resent the attention and training that the Black Belts receive. The first step in dealing with resistance is to surface it. Two-way communication with the Black Belts and Champions is one way of surfacing barriers and areas of resistance.
 3. Attempts to change the environment won’t last unless they’re supported by formal structures; business

processes; measurement, appraisal and reward systems; selection and staffing practices; and the design of the organization’s core work.

- Accelerate the Transition:
 1. Broaden the participation in the change effort. Offer Green Belt training to all employees, enrolling them in the change effort.
 2. Force Six Sigma into the Army’s culture, our corporate DNA. These change teams are comprised of Black Belts, Green Belts, process owners and Champions. The goal of each of the teams is to help deepen the commitment of the change effort for the Army and implement specific actions and infrastructure elements to reinforce the change effort.
- Sustain Momentum:
 1. Celebrate the Successes. This can be formal communications around Six Sigma success stories or it can be as quick as making sure you take time for the critical minute speech for key Six Sigma participants at every staff meeting.
 2. Ensure organizational processes and reward systems reinforce the change. In Six Sigma this is especially salient in terms of the retention/engagement of the Master Belts who are the key brain trust in achieving the Six Sigma results. A critical DNA team can be focused on developing a Black Belt engagement strategy, the purpose of which is three-fold:
 - a. Provide a redeployment strategy for individuals who develop environments that are motivating and engage Master Belts to work at their optimal level. This ensures success in their Six Sigma role.
 - b. Allow Master Belts to return to their business after their 18-month assignment in a manner that is fair, equitable and in compliance with all HR policies.

- c. Provide career enrichment/retention opportunities for individuals who choose to remain in the Black Belt role.¹³

To implement Six Sigma, the Army must create a different culture. The culture will reward cost and cycle time reductions. Eliminating some bureaucracy in the long term, means building bureaucracy in the short term. A flag officer, or Senior Executive Service member, should head the implementation effort - not only on the Army staff, but also at the Major Commands. This person will be the Champion for the Master Black Belts and Black Belts. The Black Belts, with the Champion's assistance, mentor and reward the Green Belts and project participants.

The Army assumes soldiers and civilians are motivated by patriotism before materialism. Certainly, everyone in, or working for, the Army is motivated by patriotism. Personal gain and growth motivates people too. Corporations reward Black Belts by promoting them sooner than other co-workers. Project team members get money for completing successful projects, which saves thousands, if not millions of dollars. Black Belts, Green Belts and team members should be rewarded with more than a plaque and a handshake.

Cost reductions and savings turn into corporate profits. Saving several million dollars on a project is highly rewarded in a corporation or business. If a Command saves 10% of its budget through a Six Sigma project, what happens to the savings? If United States Army Training and Doctrine Command (TRADOC) reduces its instructors by 10%, how does TRADOC get rewarded for that tremendous effort? Will Congress and the Department of Defense want the entire savings? Will TRADOC refuse to tell the Army about the savings, so the savings can benefit TRADOC?

The current Army civilian workforce is aging. In the next decade, one half of the civilians will be eligible for retirement.¹⁴ The aging civilian workforce saw Total Quality Management (TQM) and re-engineering go by the wayside. Both programs realized fewer savings than anticipated. The civilian

workforce saw these program come in, promise to change the culture, and go away. The challenge for Army leaders is having the older Army workforce accept Six Sigma and the radical change it promises.

The culture must reward people who cut costs and reduce manpower. Everyone must feel responsible for reducing cost or improving productivity. Improving productivity doesn't just require a civilian to learn how to improve Army marksmanship, or recruit more soldiers, but must tangibly reward people for reducing cost or improving productivity.

Numbers must be the guide to keeping or removing programs. If the program does not generate savings or additional productivity, the Army should remove the program. Using Six Sigma terminology, what are the critical Y's in driving cost? How can these be reduced yet keep the productivity?

Successful six sigma implementations are driven by committed leaders with 'edge' ... the ability to make tough decisions with long-term implications. These leaders challenge conventional thinking and sometimes recommend unpopular or unusual ideas ... to focus the organization on change ... like Jack Welch of General Electric (GE) and Larry Bossidy of Allied Signal [whose] commitment to Six Sigma is demonstrated through time, energy, resource allocation, and behavior on the job.¹⁵

Conclusion


Six Sigma is an analytical tool to improve process performance and reduce defects. The people involved in the process, Champions, Master Black Belts, Black Belts and Green Belts drive out excess and problems in their projects. Six Sigma may help the Army improve its processes. With committed leaders, integrating Six Sigma into the Army's cultural DNA, providing superior rewards for project participants, Six Sigma will help the Army.

Footnotes

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The Army Travel Card Time for A Change

By Lieutenant Colonel Mick Simonelli

The DoD Travel Card has outlived its usefulness and needs to be replaced with a less burdensome system. As our military radically transforms itself, military financial management must do the same. The Army Chief of Staff has rightly called for business transformation, and we must begin taking steps now to improve our business operations. DoD needs to leverage recent advances in banking technology in order to eliminate the administrative encumbrances of our current travel card. Prepaid spending cards, that work like credit cards, may be the solution. Switching to a prepaid card will reduce management burden and increase efficiencies.

The Department of Defense needs to quickly move towards a prepaid spending card. Because a prepaid card works like a credit card without the excessive credit limits, it capitalizes on the efficiencies of the credit card while virtually eliminating delinquency rates. Prepaid travel card use is growing rapidly because they are easily obtained, easily replaced if lost and

accepted anywhere credit cards are accepted. TowerGroup, the world's leading financial research and consulting firm, forecasts \$347 billion worth of pre-paid spending card business by 2007.¹

The current DoD travel card is a credit card issued through the Bank of America to all service members who are considered frequent travelers. When the card was adopted in 1996, it was the right thing at the right time. The travel card capitalized on credit automation to alleviate the services' needs to provide cash advances for travelers. At the time, it reduced a significant overhead structure developed to provide advances for travel. It also saved many service members time and energy. Now, however, the travel card is a constant sore spot to the DoD.

Unfortunately, the travel card subsequently created another heavy administrative burden--delinquency rate management. Travel card administrator positions immediately sprang up around the Army to handle the challenges of managing the delinquent cards and their

payment. Agency Program Coordinators and Unit Program Coordinators are now present everywhere. The GAO reports, "The high delinquency and charge-off rates resulted in increased costs...associated with the program. Other costs are real but not easily measurable, such as the increased administrative burden to the Army... For example, to effectively manage the travel card program, employees with delinquent accounts must be identified, counseled, disciplined, and closely monitored."²

Even after a new bureaucracy sprang up to manage the cards, the travel card problem still ultimately fell on the most overworked positions in the services-- commanders. Due to the misuse of travel cards, military commanders at all levels are forced to waste numerous hours tracking delinquent and abused accounts. Every command or section from company to department-level is burdened with travel card misuse tracking. Shouldn't financiers come up with a solution that saves the Commanders' time? As the principle advisors to Commanders, should comptrollers be happy telling them, "Sir, it's up to you to take corrective action." This answer represents a failure in good comptrollership.

Financial managers must find a solution for the dilemma without creating a new bureaucracy or shouldering Commanders with yet another burden. Our current travel card is a recurring sore point with both the DoD and commanders. GAO and audit agencies consistently "ping" the services for delinquency rates. While commanders are burdened with its management, their young troops who are uneducated about credit are forced to assume the responsibilities of credit lines that they didn't seek.

Fortunately, the prepaid spending card is a potential solution to this problem. The prepaid card has all of the features and benefits of a credit card without the credit dangers. Some of the useful features of prepaid cards are:³

- Overcharging is not possible, so delinquency rates are virtually eliminated.
- Cards can be one-time use or continuously used (so organizations don't have to continue to redefine who needs a card).
- Bosses or administrators can enable ATM access, set limits, and define parameters for each card (if that level of control is desired or needed).
- Leaders and cardholders are able to see what charges have occurred and obtain the current balance via phone or internet in real-time speed.
- Because this is not actual credit, use of the card doesn't impact credit ratings or ability to obtain loans (not a credit risk to troops)
- Spending limits can be updated via phone, internet, or through a system (i.e. via Defense Travel System).

By using prepaid cards, we can eliminate the delinquency problems and still maintain the convenience of credit. While it would require reworking processes required for travel, the required changes could be managed. Ideally, the prepaid card system would be integrated in the Defense Travel System so that the estimated travel amount is automatically placed on the user's prepaid card.

The DoD financial world has lots of smart people working issues, but we seem to be reacting to transformation instead of anticipating it. In this technological/information age, private corporations are constantly updating their financial processes in order to take advantage of the latest technological advances--the Department of Defense must do the same.

Financial managers must quickly use current technology with an eye towards reducing the friction associated with our current processes. The travel card is one such area that presents an opportunity for improvement through existing technologies. By using a prepaid card, financial managers can eliminate a sore spot for the DoD and our overworked Commanders. As General Schoomaker put it, "Processes and policies can and will change. Systems must adapt to the needs of the Soldier, our Nation, and the Joint Force."⁴ The DoD is transforming at light speed...financial management must do the same.

Footnotes

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Joint Special Operations Forces Contingency Comptroller Course

By MAJ Chuck Munguia



CJTF-HOA, Comptroller, instructs at the JSCCC

The United States Army Special Operations Command (USASOC) developed and co-hosted with United States Special Operations Command (USSOCOM), the Joint SOF Contingency Comptroller Course (JSCCC) 14-18 March 2005, at the Special Operations Academic Facility, Fort Bragg, North Carolina. The course was designed to provide Special Operations Forces (SOF) comptrollers with the resource management skills required to support Joint SOF operations in support of the Global War on Terrorism (GWOT).

The Genesis of JSCCC

A young officer (Finance or FA 45, Comptroller) finds himself assigned to a Special Forces Group and soon deploys as the Combined Joint Special Operations Task Force (CJSOTF) J8/Comptroller. This officer had the prerequisite training as a qualified

Finance Officer or Comptroller; however, the training he received did not prepare him for the reality he experienced. As the fund-certifying officer for the CJSOTF, he supervised 200 pay agents (PA) and Field Ordering Officers (FOOs) with millions of dollars in different appropriations to support combat operations in Iraqi, Afghanistan, and elsewhere in support of GWOT. His office processed hundreds of Purchase Requests and Commitment (PR&C) documents with appropriation fund cites that included Commanders Emergency Response Program (CERP), Emergency Extraordinary Expense (EEE), Overseas Humanitarian Disaster & Civic Aid (OHDACA), DeMinimus, Class I and Operational Funds (OPFUND). Each appropriation had its own unique rules and strict limitations of how to use the funds. Most of the learning curve was on-the-job-training (OJT). The operators he

supported were unconcerned about fund cites or appropriations; they were focused on hunting down insurgents and demanded the resources to be successful. This is the current environment of DoD comptrollers' deployed around the globe.

Other J8/Comptroller officers are now preparing to follow in his footsteps. In today's operational tempo (OPTEMPO), it is not uncommon to see new comptrollers deployed with extraordinary resource management responsibilities. This asymmetric situation will not change. They will continue to face complex resource management challenges. Colonel Phillip E. McGhee, the Deputy Chief of Staff, Comptroller (DCS, CMP) of the USASOC recognized this shortfall in training. In late FY 04, he challenged his staff to develop a formal training program to equip deploying comptrollers. Thus, the concept for JSCCC was born.

Program of Instruction.

Over a period of several months, members of the USASOC, Deputy Chief of Staff (DCS), Comptroller staff and USSOCOM, J8 collectively compiled topics for the course. The JSCCC was designed as a five-day course, starting at a strategic level and progressing down to tactical comptroller tasks.

DAY 1: Command Relationships.

Topics: World-Wide Conventional & SOF Command & Control (C2) Update, CFLCC & ARCENT Theater Brief, Department of State Operational Brief, CENTCOM J8 (RM Overview), Small Rewards Program, CENTCOM Theater FINCOM Overview.

DAY 2: Resource Management Contingency Appropriations.

Topics: Commander's Emergency Response Program (CERP), Humanitarian Relief & Reconstruction Funds, OHDACA, DeMinimus, Emergency Extraordinary Expense (EEE) Authority: Confidential Military Purpose Fund (CMPF), Intelligence Contingency Funds (ICF), Official Representation Funds (ORF), Title XXII Funds, Special Clothing (Operation Civilian Clothing), Class I - Subsistence Allotment,

CFLCC C8 (RM Overview/JARB/CARBs/ CFLCC Spend Plans), MWR, Leaves & Passes Funds, SOCCENT Operations & RM Overview, SOCOM Forward Deployed Comptroller Team

DAY 3: Resource Management Tactics, Techniques and Procedures (TTPs).

Topics: Contracting GWOT Requirements in Theater, SOF Unique Contracting Requirements, Paying Agent and Ordering Officer SOP, Blanket Purchase Agreements (BPAs), Horn of Africa (HOA) Operations, CJSOTF- A (Afghanistan), CJSOTF - AP (Arabian Peninsula), Iraqi Special Operations Forces (ISOF), DFAS - Indianapolis

DAY 4: GWOT

Topics: GWOT/CONOPS Reporting, Reconstitution/Reset, Property Accountability of GWOT Equipment, Acquisition and Cross-Servicing Agreement (ACSA), LOGCAP, BASOPS Support in Theater, GWOT Supplemental Appropriation Act, Mobilization/ Demobilization of Reservists Pay Process/Issues

DAY 5: Practical Exercise (JSCCC Summary)

Instructors.

Instructors for the JSCCC were selected for their subject matter expertise in their particular area of concentration. They came from a variety of agencies, including the State Department. It was the expertise of the course instructors in the fields of operations, appropriations, resource management, contracting and logistics that truly made the JSCCC a world-class course.

Guest Speaker.

Lieutenant General (R) James F. McCall, the Executive Director of ASMC, shared his expertise of DoD Resource Management with the students of the JSCCC. His message to the class was very simple but straightforward. To paraphrase LTG (R) McCall, he stated that during previous wars, commanders would ask him for a Resource Manager who carried a book of regulations in one hand, a bag of gold in the other, a bayonet between his teeth, and could speak several languages. The value of courses, such as the JSCCC, is to bridge the gap between inexperienced Comptrollers and the high expectations Commanders demand.

Students.

The target audience for the JSCCC was incoming comptrollers scheduled for deployment within six months. Many of the student population came from the resourcing headquarters that support our deployed soldiers. A total of 65 students representing over 10 organizations attended the course. The diverse student base brought a wide range of experience to the course. Some recently deployed in support of Operation Iraqi Freedom or Operation Enduring Freedom as comptrollers and shared their unique experiences with fellow resource managers.

Course Evaluation.

The class days were long and the students were challenged. At the end of each day a test was administered to gauge the students comprehension of the subject matter. The feedback for the JSCCC from the student Evaluation/Critique sheets and verbal comments were extremely positive. Comments stated the course was very beneficial and well worth the time. Several students stated the course should be conducted annually or semi-annually and should be longer. The most positive comments pertained to the diversity

of instructors and their experience; the dialogue with other students and sharing of experiences with the class; the practical exercise; the summarizations of many different appropriations/colors of money; and the real world up-to-date information that was presented. As one student stated, "All the briefings were very informative. It provided a greater perspective on what issues the folks have to deal with and how they handled the issues." The intent is to have the JSCCC conducted once a year and the host of the course rotated among the USSOCOM service components.

Relevance of JSCCC

Today's operational environment will continue to remain at a high pace and challenge all members of DoD. Resource Management/Appropriation is a combat multiplier in the War on Terrorism. Dollars spent in support of operational units, in the form of OPFUND, CERP, EEE equals operational success. The President has indicated this nation will continue to provide support to the Global War on Terrorism for some time to come. The challenges imposed on Resource Management to support GWOT will not diminish. Courses, such as the JSCCC, that proved real world experiences and requirements must continue to be taught throughout our resource management community in order for us to provide professional and qualified comptrollers.

About the Author:

Major Chuck Munguia was the course manager for the JSCCC. He is a Command Analyst for the USASOC and previously served as the CJSOTF-A, J8/Comptroller.

Photograph provided by USASOC Public Affairs Office.

The Defense Financial Management Course

A Transformation Success

By Colonel Mike Outten



People normally associate the Department of Defense (DoD) Professional Military Comptroller School (PMCS) to the capstone course educating mid-grade military and civilian DoD employees on financial management. Dramatic changes occurred with my arrival as Director in June 2004. Armed with input from DoD representatives, staff observations, and the Air Force skills gap analysis it became apparent significant changes were in order. In July 2004, Mr. Michael Montelongo, Assistant Secretary of the Air Force, Financial Management and Comptroller and the executive agent for the course, agreed to forego the last class of the fiscal year to provide time for curriculum and course transformation. This article explains why changes were made, the transformation process, and the future course construct.

Why Change?

Input and observations from people involved in managing and executing PMCS yielded some valid concerns. First, the curriculum required updating because many lesson plans were obsolete. The curriculum was limited in exposing students to leadership concepts (leading teams, leading change, conflict management, developing a leadership approach), developing career skill sets (critical thinking and strategic orientation) and providing information on the expeditionary environment. Second, the course depended heavily on guest speakers. The guest speakers provided great financial management insights but also taught much of the course. Frequent cancellations and schedule changes caused the instruction areas to lack focus. This significantly

impacted the learning environment and the student takeaways. Next, the faculty instructors were more involved in protocol activities supporting the guest speakers than actual teaching. Further, the course was too Air Force centric; more DoD balance was required to maintain joint objectives and manage the course. Finally, the six week course effectively barred many students from attending because of commitments to global operations. DoD representatives and the faculty suggested the course could be reduced by eliminating redundancy and placing less emphasis on non-core activities. The time was ripe for change to make the course more current and relevant.

The Transformation

The transformation was an intense, rigorous process which included revising the course vision, mission, and goals; optimizing technology for course delivery and management; revising curriculum content, establishing a DoD advisory committee, and bringing more balance into the course. The executive agent provided direction, group discussions were conducted with DoD representatives, and an outline was established with definitive end-state objectives. As a result, the faculty revised the curriculum, embedded technology improvements in the course, and conducted a pilot course. Proposed changes were presented to an inaugural DoD advisory committee and the members formalized a process to manage the course in early December 2004. The hard work paid dividends with a course designed to develop student career skill sets in a future leader decision support role.

The Revised Course Construct

An inaugural DoD advisory committee convened in early December with representatives from the Army, Navy, DFAS, and the Air Force. These individuals discussed many issues and provided recommendations for approval to the executive agent. Approval was received from the executive agent in February 2005, cementing the future course direction and curriculum focus.

It was important to establish the course focus and the student takeaways. The committee members agreed the focus should move toward developing student career skill sets with less emphasis placed on exposure to broad FM concepts. The committee also agreed course delivery should be more interactive and experiential and less time spent on the traditional lecture approach. Students sharing experiences and applying leadership concepts in the classroom were deemed important. Based on the above, the vision evolved into preparing graduates to advise senior leaders in future strategic decision support roles. The vision became the bulwark in developing the following four overarching goals:

- Broaden awareness of the diverse financial management framework within DoD
- Understand the impact of the strategic environment on the DoD mission
- Enhance leadership and interpersonal skills
- Comprehend contingency operations concepts and their impact on financial management

The advisory committee also allocated time to shape student quotas, course rigor, and student selection criteria. The members agreed balance was important; therefore guideline student quotas were assigned to each service and DFAS. In addition, course rigor was increased with outside readings and more emphasis placed on testing. The committee also changed the selection criteria so the right types of students were chosen that would benefit most from the course. The new selection criteria became:

- 4-year degree or 5 years FM experience
- Written endorsement of at least the 2nd level supervisor
- Successful completion of at least 2 FM related courses
- Evaluation of self-development activities within the last 5 years
- Evaluation of job performance/ recognition within the last 5 years
- Target grades: GS 11 and above; O-4 and above; E-8s

In addition, the committee recommended the course name be changed to further emphasize the sweeping changes, make a clean break from the previous course, and provide a fresh start for the future. The executive agent approved the new name, Defense Financial Management Course, as one course taught at the Professional Military Comptroller School.

What If

The current transformation is needed and makes the course current, relevant and academically credible. But more can be done. The school can offer more to DoD senior Comptroller leaders.

What if... the school had a small research staff to investigate and offer recommendations to solve issues facing DoD Comptrollers. The staff could become a center of critical thinking similar to the Air Force Doctrine Center and CADRE (located at Air University) for the functional community. The faculty could publish informative articles, tackle critical transformation issues, career field issues, and offer solutions or ideas to improve processes. The staff could become a think tank for senior leaders and would add academic credibility to the school.

What if... the school offered an executive level course for senior DoD officials, military and civilian. The old PMCS has often been cited as a premier capstone course for Comptrollers. In reality, it is a premier course but not a capstone course. There is a need to educate senior leaders on the critical issues facing DoD Comptrollers. The course can provide insight on those issues, the gameplan and goals of senior DoD officials, tie Comptrollers roles to mission, provide attendees a strategic direction, allow a forum for new ideas and foster a culture of critical thinking. The attendees would include General Officers and SESs, GS-15s and Colonels, and Chief Master Sergeants. It is an opportunity for career field senior leaders to articulate their visions for the attendees to achieve.

What if... the school name was changed from DoD Professional Military Comptroller School (PMCS) to Defense

Comptroller School (DCS). If we are going to transform completely then the name should also be reviewed. First, the name change offers a clean break from the past and a fresh perspective to the future. Second, the terms professional and military are redundant. One can assume individuals attending the school are already professional so why highlight that fact. Are we saying that some people are not professional by using the term in the title? Next, DoD is comprised of military and civilian personnel. Why highlight the military? Most students attending the current course are civilian (70%). It is time to update the name to better reflect the personnel demographics, make a clean break from the past, and focus on the opportunities that lay ahead.

We are excited to unveil the revised financial management course to DoD employees. The course is current and relevant to the changing global environment we now live in. Faculty members deliver a quality joint operational-level education experience to those attending the course. We emphasize sharpening leadership and communication skills, exposing students to strategic thinking, involving them in interactive case studies to learn about the budget process, and attaining a better understanding of contingency operations around the world. We also provide students an opportunity to set personal goals and use the course as a tool to assist in achieving them. We believe this transformation was a huge success and a big thanks goes out to the committed individuals who made it happen. We look forward to developing the career skill sets of future decision support financial management leaders! We also look to future changes that would enhance the value of the school to DoD senior leaders.

About the Author:

Colonel Mike Outten is the Director, Professional Military Comptroller School at Maxwell AFB, Alabama.



Writing Letters of Recommendation

By Matt Reres

Although no general prohibition exists with respect to Soldiers and civilian employees writing letters of recommendation for their friends and colleagues, the ethics rules do apply on two related issues—May a Soldier or civilian employee sign a letter of recommendation using his or her official title—May a Soldier or civilian employee write a letter of recommendation on official stationery of the Army? I shall address each of these two issues in this article.

You should be aware that 5 CFR (Code of Federal Regulations) 2635.702(b), and the example that follows it, reads as follows. [Nota Bene: You should also be aware that this provision, including the example, applies to all Army employees.]

(b) Appearance of governmental sanction. Except as otherwise provided in this part, an employee shall not use or permit the use of his Government position or title or any authority associated with

his public office in a manner that could reasonably be construed to imply that his agency or the Government sanctions or endorses his personal activities or those of another. When teaching, speaking, or writing in a personal capacity, he may refer to his official title or position only as permitted by Sec. 2635.807(b). He may sign a letter of recommendation using his official title only in response to a request for an employment recommendation or character reference based upon personal knowledge of the ability or character of an individual with whom he has dealt in the course of Federal employment or whom he is recommending for Federal employment.

Example 1: An employee of the Department of the Army who is asked to provide a letter of recommendation for a former subordinate on his staff may provide the recommendation using official stationery and may sign the letter using his official title. If, however, the request

is for the recommendation of a personal friend with whom he has dealt outside the Government only, the employee is prohibited from using official stationery or signing the letter of recommendation with his official title, unless the recommendation is for Federal employment. In writing the letter of recommendation for his personal friend, it may be appropriate for the employee to refer to his official position in the body of the letter.

“Employees shall act impartially and not give preferential treatment to any private organization or individual.”

On July 15, 1999, the Department of Defense Standards of Conduct Office (DoD SOCO) issued a 45-page document entitled “Ethics Issues in Government-Contractor Teambuilding.” The document is on the DoD SOCO website. The following guidance is on pages 29 & 30 of the document. Some of the information that follows has been modified to address Army personnel only.

Appearance of Government Sanction (Letters of Recommendation)

As the author of a character reference or recommendation letter, one means of adding credence to the statements and opinions that are expressed in the letter is to include credentials, including an official Army position and title. Possibly, the beneficiary of a reference or recommendation will request the letter because of an Army employee’s official position and will expect that the Army employee will identify his Army position and use official letterhead. An Army employee may use Army letterhead and sign letters of recommendation with his official title if he has personal knowledge

of the individual’s ability or character and either: (1) his knowledge is derived from dealing with that individual through his Federal employment and the letter will be used for an employment recommendation; or (2) his recommendation will be used as part of an application for a Federal position. (Note: If the letter pertains to a contractor employee on an Army contract, the Army employee must first coordinate with his ethics counselor and the appropriate contracting officer.) It is insufficient to base the recommendation upon information or personal knowledge derived from a third party.

We must remember that while Army employees may write letters of recommendation supporting an employment application, they are unauthorized to use their official title and position or Army letterhead to endorse either their own personal activities, services, or products, or those of another. Furthermore, Army employees are forbidden to state or to imply that the Army or the Federal Government endorses or sanctions their personal activities or those of another.

General Rule

Army employees are never authorized to use their Army title or position to imply Government approval or authority for their own or another’s activities outside the scope of their official duties. They may write a letter of recommendation to support an employment application on Army letterhead and sign it using their official title when: (i) the reference is based upon their personal knowledge of the ability or character of the individual and this knowledge was derived in the course of their Federal employment; or (ii) they are recommending the individual for Federal employment. Modified from 5 C.F.R. 2635.702(b)

Example 1

A contractor employee with whom a Army employee has worked on a project in the past requests a letter of recommendation in support of a job application with a different private sector company. The

Army employee may write a letter on agency letterhead and sign it using his title and position. This recommendation, in support of an employment application, is based on his/her personal knowledge of the individual that he gained in the course of his Federal employment. He should check with the contracting officer before sending the reference letter to ensure the letter will create no adverse affect on the Government’s business relationship with the contractor.

Example 2

A member of a team that is led by an Army employee asks that the Army employee write a recommendation letter for her best friend, who is seeking a position with the contractor on the project. The Army employee has never personally met the friend but her subordinate has talked about her for so long that the Army employee feels as if she knows her. The Army employee cannot write the recommendation letter on agency letterhead or use her official title or position because she lacks personal knowledge of the best friend’s character or ability. Her knowledge is based on information she received from her subordinate employee.

In summary, each of us serving in the Army may write letters of recommendations for our friends and colleagues. What we must avoid is giving the appearance that we are officially endorsing an individual by using our official Army position in our signature block or by using official Army stationery when the use of our official Army position or the use of Army stationery is unauthorized. We should frequently remind ourselves of the 8th Principle of Ethical Conduct that applies to each us who serves the United States in the Executive Branch: **“Employees shall act impartially and not give preferential treatment to any private organization or individual.”**

About the Author:

Matt Reres is the Deputy General Counsel (Ethics & Fiscal) in the Army’s Office of the General Counsel.

Army Business Initiative Council

The Army BIC is Turning 10! (well, sort of)



It's been a little while since we published an article in the Resource Management Journal, so we wanted to bring you up to date on a few of the exciting things going on in the Army Business Initiative Council (ABIC). We're still working to rapidly achieve efficiencies, improve management operations, and reduce costs to make funds available for high priority Army missions. The ABIC accomplishes this by helping implement reforms that save time, leverage assets, and generate quantifiable monetary benefits (QMB). We are as energized as ever as we begin to implement our 10th round of SECARMY approved initiatives, and are greatly looking forward to seeing what new initiatives will be submitted in the upcoming year.

On 4 March 2005, The Honorable Francis J. Harvey, Secretary of the Army, chaired his first ABIC decision meeting, and approved the latest round of initiatives submitted by HQDA and the MACOMs for our 10th Cycle of implementing business improvements for the Army. In the decision memo addressed to MACOM commanders and HQDA staff principals, Secretary Harvey stated:

"The ABIC has proven to be an effective tool to help transform the Army's business processes and to ingrain transformation in everything we do...I encourage each of you to submit initiatives that will improve our business processes and make resources available to higher-priority missions."

To facilitate the Business Initiative process, the ABIC has six Process Functional Boards that are key to the development and implementation of ABIC initiatives. Adjustments were made to the boards to better align with organizational responsibilities at Army Headquarters. The ABIC Process Functional Boards are now Acquisition and Logistics, Installations, Manpower and Personnel, Test and Evaluation, Information Technology, and Resource Management.

Additionally, several of the Process Functional Boards have new Chairs. The Acquisition and Logistics Process Functional Board will now be directed by the Acting DASA for Plans, Programs, and Resources from ASA(ALT). The ACSIM Director for Facilities and Housing will chair the Installations Process Functional

Board for ACSIM. The Manpower and Personnel Process Functional Board will be chaired by the Director of Plans and Resources in G-1, and the Test and Evaluation Process Functional Board is now under the guidance of the Deputy Director, TEMA for Resources.

In the past year, to respond to customer and stakeholder suggestions, we have made significant improvements to the ABIC submission website (www.biccollaboration.com). It is now easier to submit initiatives, and easier for MACOM and HQDA points of contact to enter and review comments during the staffing of initiatives. We are in the process of a website rework that will allow all users to check the status of any initiative at any time, with immediate access to appropriate points of contact. We also have added substantial information about the ABIC on the ASA(FM&C) website at <http://www.asafm.army.mil/bic.asp>.

Army BIC initiatives continue to support Army transformation and improve business practices. Sometimes successful implementation requires efforts that go beyond the Army community. In those instances the Army BIC teams with organizations from the Office of the Secretary of Defense, other services, State Department, private industry, or wherever needed. Here are just a few examples of recent Army BIC success stories.

An Enterprise Solution for Reverse Auctioning

This initiative has enabled the Army to obtain a perpetual license for reverse auctioning software that will enable us to provide this capability to all DoD customers. The first auction conducted was for notebook computers; the auction resulted in a price reduction of 53% from the prices on the Army and GSA Information Technology (IT) contracts. Through September 2004, the initiative has delivered monetary benefits of nearly \$14.5M to Army, Air Force, and Marine Corps customers. Total projected QMB: \$52.6 million!

Army Knowledge Online (AKO)
Interface with Defense Enrollment
Eligibility Reporting System (DEERS)

This initiative will provide AKO users the ability to authenticate their family members as well as provide basic information related to entitlements and benefits to Army personnel and their families through the DEERS database. A Memorandum of Understanding recently was signed to finalize the initial phase of the AKO interface with DEERS. Soldiers may now access DEERS dependent status and related information directly from AKO without any additional sign-on procedures. The next phase of the initiative includes plans to allow a spouse access to DEERS eligibility information for family members.

Designated Source for Commercial Information Technology

The Army Small Computer Program (ASCP) has established fully competed contracts for IT volume buying and discounted prices. This initiative was submitted in Cycle 4 and at that time, the use of ASCP was optional. This initiative sought to increase ASCP use, with the goal of making purchasing more efficient, resulting in Army-side cost avoidances when purchasing computer hardware.

On 11 March 2005, the CIO/G-6 endorsed the Army Small Computer Program (ASCP) strategy for consolidating Army purchases of desktop and notebook computers. ASCP, in coordination with NETCOM and the Information Technology and Electronic Commerce Commercial Contracting Center (ITEC4), is developing negotiated bulk purchase pricing through its Army Desktop and Mobile Computing (ADMC) Blanket Purchase Agreements. ADMC vendors provide all the major original equipment manufacturer desktop and notebook computers. The first semi-annual bulk purchase period is scheduled for fourth quarter FY05. A CIO/G-6 policy mandating the consolidation of all conforming desktop and notebook requirements through ASCP is in process. Implementing instructions will be posted to the ASCP "IT e-mart" website at <https://ascp.monmouth.army.mil/>.

Total projected QMB: over \$1.2B!

Develop a Prototype that Aligns Faces to Spaces

Currently, there is no single Army-wide system to integrate and edit all necessary information from authorized manpower, personnel, and budget sources that can subsequently produce a report that aligns faces to spaces. This initiative proposes developing a prototype that links existing databases and edits inventory to align personnel against authorized manpower end-strength and work-year authorizations as adjusted by Major Commands or installations. The pilot program is ongoing, and a prototype should be ready for Army-wide implementation this fall.

Document Contracted Manpower

This initiative establishes a contractor manpower reporting system that will collect critical information on Army contracts. The collection and analysis of this data will provide improved visibility over contract resources in the programming/budget process, improve the audit trail and validation of manpower requirements, and ensure that manpower and force allocation decisions are more credible and auditable. The SECARMY recently signed a memo directing implementation of this reporting requirement for all new contracts issued on/after 7 March 2005 (including bilateral modifications of existing contracts). An organization's compliance with this requirement will be a factor considered in assessing that organization's justification of its current resources, or requests for additional resources in departmental decisions. By 15 November 15 2005, a manpower baseline report will be generated for use in documentation.

Forms Content Management Program (FCMP)

This initiative establishes an Army enterprise IT infrastructure that will automate all current manual, form-based processes to create a framework for a paperless office. Currently, the Army has over 100,000 forms, 95% of which are for local use and are duplicative of what could be a standardized process. FCMP

will streamline a significant amount of military paperwork – that means less time spent filling out things like supply requests, personnel evaluations, award recommendations, and more! The initial web-based application is scheduled for Army-wide deployment by September 2005. On a side note, Accenture and MIT recently selected the Army's FCMP program as the 2005 winner of their Digital Government Pilot/Prototype Innovator Award. The Accenture and MIT Digital Government Awards are presented by Accenture (a major U.S. business management and consulting company) and MIT to showcase high performers in government innovation. Total projected QMB: \$821 million!

Implement Battle Command Knowledge System (BCKS)

This initiative seeks to establish a networked system of Structured Professional Forums (SPFs) providing agile dominant learning, teaching and battle command capabilities to produce high performing and adaptive Commander/Leader Teams (CLTs). BCKS is currently in Block 1 development to field a network of SPFs supporting the areas of lessons learned, doctrine development, training support, leader development, advanced distributed learning, advanced concept demonstration and experimentation, knowledge representation, and battle command.

Military Training Service Support

When soldiers attend Army schools in temporary duty status, they require support for such services as dining, lodging, and local transportation. For several years, the Army had a significant dollar shortfall in covering these costs. In the past, HQDA provided the funding to the MACOMs that sent soldiers to school, while the actual costs were incurred by the installations where the training was conducted. The sending MACOMs did not know if there was sufficient capacity for the soldier to stay in on-post lodging or eat in the dining facility. Under this initiative, a policy decision was made to send the funds directly to the installation where the costs were incurred. With the training installation now

responsible for both providing support and funding it, an incentive was created for the responsible organization to manage lodging and dining inventory to reduce costs. The initiative is being implemented at all training installations, with implementation scheduled for completion by the end of FY05. The results to date have been excellent. The initiative is projected to generate a cost avoidance of more than \$230M through FY11, and has resulted in improved support to soldiers at the training locations.

Sharing of Practices Between Military and Civilian Education Programs

This initiative proposes reviewing practices, procedures, and policies within the DA civilian and military education programs, with the objective of sharing best practices between the two programs. It is expected that this will result in enhanced benefits for students and cost savings for the Army. In addition, the initiative encourages civilian and military personnel to research and apply for scholarships and grants while attending Army-funded civilian schooling decreasing costs paid by the government.

Streamline Army Best Practices

This initiative seeks to establish a formal process for capturing, sharing, and enabling the adoption of Army Best Practices at an enterprise level by creating a vetting process on AKO. The traditional process of satisfying MACOM requests for information on Army Best Practices is carried out in an ad hoc manner (via phonecon, email, and memo). This initiative seeks to reduce the time it takes to communicate this information by aligning the task with technology. By using a new computerized information-sharing system, MACOMs will be able to access a website that provides easier access to information on best practices. The objective is to build a more stable operating structure, maintain consistency of information, and provide MACOMs quicker access to new institutional business practices that support Army Transformation.

DoD Passport Application Process

Under this initiative, the DoD Passport Office worked with the State Department to adopt emerging business practices to significantly streamline the process for acquiring an official passport. Four sites (MacDill AFB; Fort Bragg; the Navy Yard in Washington, D.C.; and the Pentagon) are currently testing the application. The pilot program is meeting set objectives and program requirements. As this issue of Resource Management goes to press in May 2005, the program is nearing a major decision point. If the pilot program continues to be successful, the new procedures will soon be applied throughout DoD.

Explore the Benefits of Technologically Connected Homes

This initiative enables the Army to partner with academia and private industry to take advantage of all the products and services emerging from the information revolution for use in privatized military housing. Services such as telemedicine, security, distance learning, the Internet and many others would be incorporated into a three-year pilot project in 450 privatized military homes.

A complete list of approved Army initiatives and information regarding the Army BIC process can be found at <http://www.asafm.army.mil/bic.asp> Visit the website to learn how you can help transform the Army by contributing an initiative to the ABIC.

About the Author:

Article was co-written by Ms. Monica Malia and Mr. Jon Wise. Ms. Malia managed the Army Business Initiative Council Program in the Resource Analysis & Business Practices Division (ASA-FM&C) from Jan 2004-April 2005. Mr. Jon Wise was her primary deputy.

The Canadian Defence Peacekeeping Cost Estimate Process

By Lieutenant Colonel Ross Fetterly



Canadian Forces (CF) personnel have actively participated in peacekeeping activities, instituted by the United Nations during the Suez Crisis in 1956 through the establishment of the United Nations Emergency Force (UNEF). Since that date, peacekeeping has continued to be an activity that employs a significant number of CF personnel on an annual basis. The cost to fund peacekeeping operations, particularly since fiscal year 1991-92, has been significant and is monitored closely by Assistant Deputy Minister (Finance and Corporate Services) staff at National Defence Headquarters.

The decision to deploy troops outside the country in a peacekeeping, or peace-making operation is made by the Federal Cabinet. Support to international peace and security has been an enduring cornerstone of Canadian foreign policy for the past half-century. Canadian interests are embedded in collective western defence, and this is not likely to change in the near future. Consequently, analysts forecast that Canadian Forces personnel will continue to contribute a high percentage of personnel to peacekeeping or peace-making operations

well into the next decade.¹ The military advice provided by the Chief of Defence Staff to government includes a cost estimate of the operation. This cost estimate then forms the basis for incremental federal funding to the Department of National Defence (DND) for that particular operation.

This article will describe the peacekeeping cost estimate process within DND. This article will begin with a description of the senior positions at National Defence Headquarters in Ottawa that are involved in the peacekeeping cost estimate process. An overview of the peacekeeping cost estimate template follows, with a subsequent discussion of the mission factors that can affect this template. A summary of the difference in cost between the United Nations (UN), the North Atlantic Treaty Organisation (NATO) and coalition peacekeeping missions is then provided to illustrate cost differences between different types of missions. The paper concludes by highlighting the use of the information developed through the peacekeeping cost estimate process, and its implications for the management of

defence in Canada. In this article, the term peacekeeping encompasses traditional peacekeeping, peace making, and peace support operations.

The Canadian cost estimate process starts when the Joint Staff at National Defence Headquarters begin looking at options for a potential peacekeeping mission or other deployed operations. At National Defence Headquarters, a Joint Staff organised along functional lines is responsible to the Chief of the Defence Staff.² This Joint Staff includes Branches responsible for administration, intelligence, operations, logistics, strategic plans, communications, operational plans, and finance. The J3 Operations staff, within the Deputy Chief of Defence Staff organisation, co-ordinate with the J8 Financial Coordination Centre. The J8 Financial Coordination Centre is a component of J8 Financial Operations, which is one element of the Assistant Deputy Minister (Finance and Corporate Services) organisation. With the information obtained from the J3 Operations staff, the J8 Financial Coordination Centre develops a preliminary cost estimate for each option under consideration by the Chief of Defence Staff. At this point, the cost estimate only provides a rough order of magnitude of expected costs. This is refined, as more detailed information on each of the options become available to planning staff.

Cost Estimate Development

The Directorate of Strategic Finance and Costing within Assistant Deputy Minister (Finance and Corporate Services) is mandated to provide strategic assessment of the cost ramifications of all Departmental initiatives, to ensure, that the costs presented are reasonable, and to develop standard costing methodology. Among tools Directorate of Strategic Finance and Costing staff provide to the financial community is the annual publication of the *Cost Factors Manual* – designed to provide a common basis for the estimation of DND personnel, equipment, and facility costs, and the Defence Personnel, Operations

& Maintenance Model – a standard cost model that estimates the full cost of consumption at all DND/CF units. Costing expertise is resident in the costing section of Director of Strategic Finance and Costing. This Directorate of Strategic Finance and Costing section provides a military finance Captain to the J8 Financial Coordination Centre to develop cost estimates for deployed operations. These estimates are based on a deployed operations template, developed and refined over the past decade. The cost estimate process receives extensive senior management oversight. Prior to distribution of the cost estimate within National Defence Headquarters the estimate is reviewed and approved by the Director General Financial Management³ and the Assistant Deputy Minister (Finance and Corporate Services). Once the cost estimate is complete, the Director General Financial Management provides the Chief of Staff of the J3 organization with a written copy of the estimate.

Prior to 1992, National Defence Headquarters Assistant Deputy Minister (Finance and Corporate Services) staff updated the cost estimates for Canadian participation in the United Nations Peacekeeping Force in Cyprus (UNFICYP) and the United Nations Disengagement Observer Force (UNDOF) on an annual basis. Cost estimates for other peacekeeping missions, such as Canada might participate in from time to time, were done on an as required basis. However, starting in 1992, with the advent of significant Canadian participation in the United Nations Protection Force (UNPROFOR) in the Former Republic of Yugoslavia, a more formal cost spreadsheet was developed to estimate incremental costs more accurately, and to be able to cost multiple options during mission planning in great detail.

Deployed operations occur in a number of clearly defined and sequential stages. The cost estimate template is designed to capture costs in each of these stages and is built to accommodate a wide variety of deployed operations and duration of missions. The mission phases include preparatory, deployment, employment, rotation and

redeployment. Notwithstanding the mission in question, the cost drivers remain fairly constant and differ only by degree. Cost drivers consist, in general, of numbers of personnel and quantities of major capital equipment. The cost factors for personnel, aircraft, ship and vehicle costs in the cost estimate template are taken from the *DND Cost Factors Manual 2004-2005*. These cost factors are standard costs.

Labour costs are the primary expense in any deployed operation. Although funding for the pay of Regular Force military personnel is already included in the defence budget, funding for Reserve Force military personnel employed in deployed operations is not. It is noteworthy that reservists generally account for 10-20 percent of deployed Canadian contingents. As a consequence, Reserve Force salary costs on deployed operations are incremental expenses to the defence budget.

The effectiveness of military forces is directly related to their training. Each deployed operation is different, and as a result, different skill sets are required. Consequently, the most effective military forces are those that train specifically to the anticipated requirements of their mission. It is assumed, however, that Canadian Forces personnel deployed overseas will be already trained in a broad spectrum of military capabilities, depending on their trade or classification. Combat skills are a fundamental building block for Canadian Forces personnel deployed overseas. The value added that Canadian military personnel provide to peace support operations is that they train and develop the skills that are expected to be used in the mission. To accomplish this, pre-deployment training is generally three months in duration. Costs of this training period include salary costs for reservists, vehicle and equipment operating costs, fuel, rations field operations allowance and ammunition. It should be noted that much of these training costs exceed that which the unit would have incurred on a normal training cycle in Canada.

When Canadian military personnel deploy outside Canada, the Canadian

Forces are responsible for their “care and feeding.” This includes the provision of military camps with living and eating facilities, power generation, workshops, supply warehouses, as well as office and communications facilities. In addition, rations must be procured for consumption by the troops. Medical support in the form of inoculations against diseases is required prior to deployment, along with ongoing medical support during the mission and at times post-deployment medical care is also required.

Although the fact that all deployed forces will require rations is evident, their cost can vary widely and is dependent largely on their geographical location and mission circumstances. This is influenced by the overall concept of operations designed by national level planners. Options for feeding deployed troops include shipment of Individual Meal Packages from the Canadian Forces Supply System, shipment of fresh rations from Canada or a third country by regular resupply flights, obtaining rations from local sources, or a combination of all of the above. Based on the overall concept of operations and information obtained by the Canadian Forces reconnaissance team, costs of the option selected can be determined with considerable accuracy by the cost analyst.

The cost of living quarters for deployed military personnel are dependent on a number of variables. First is climate, second is the availability of facilities already in-theatre, third is the possibility of facilities provided through host nation support, fourth is the potential for combined multi-national facilities under a lead nation concept, and finally the expected duration of the mission also impacts on the option selected. Accommodation can be tentage, such as with the peacekeeping mission in Haiti during the mid-1990s, or hard standing prefabricated structures, as were used by a number of Canadian Forces military personnel in Bosnia. Tentage can be used to accommodate troops and is often the primary solution on initial deployment to austere areas. Missions planned for a considerable duration will generally move

to hard standing facilities over time. This is a priority on missions with cold winter climates. On missions where contingents are disbursed over wide geographical areas, accommodation can be a mix of options depending on circumstances and the operational mission.

Equipment performing their primary function under normal conditions in Canada generates considerable operations and maintenance expenses. However, the operating cost of vehicles is generally significantly higher on deployed operations due to their increased daily usage. Given



...the cost of NATO missions—compared to UN missions - is significantly greater.

their more intense use, often under harsh operating conditions, a vehicle operating surcharge is added to vehicle operating costs to augment the standard per-kilometre vehicle cost specified in the *DND Cost Factors Manual 2004-2005*. Cost elements of the vehicle operating costs include petroleum, oil and lubricants, spare parts, repair and overhaul, in-service maintenance and amortization. The usage rate of vehicles is estimated based on the roles and tasks assigned to the Canadian contingent, the geographical area in which they will be operating, and the anticipated activity rate. Of note, in-theatre petroleum costs can be significantly higher than in Canada and the analyst will factor this information into the cost estimate if petroleum costs are available.

Transportation costs can be a significant portion of incremental mission costs. This can include either the use of Canadian Forces aircraft, the rental of aircraft to move personnel and equipment, or the rental of ships to move equipment. The

cost of Canadian Forces aircraft is based on standard costs. Use of Canadian Forces aircraft within the established Yearly Flying Rate will result in most costs being incurred under existing DND funding. Flights that are scheduled in excess of the Yearly Flying Rate would result in most costs being incremental to the mission, except salary costs. Rental of aircraft to move equipment in-theatre is very expensive and where sufficient notice is provided shipment of equipment by sea is the preferred option. Transportation rental costs used in the cost estimate template are obtained directly from the J4 Logistics National Defence Movement Coordination Centre, and are not based on standard costs. J4 Movement staff obtains quotations from airlines, air freight organisations or brokers for expected air transport requirements. Estimates for the cost of ship rentals are handled in a similar manner.

The Canadian Forces has a multi-billion dollar inventory of Capital equipment, however, at times the demands of particular missions are such that occasionally new Capital equipment is needed due to operational requirements of individual missions. For example, several Sperwer Tactical Unmanned Aerial Vehicles were purchased in 2003 to support Operation Athena in Afghanistan. Although in this particular case the purchase was scheduled in the Defence Services Program, the actual purchase was accelerated due to operational requirements.

The cost estimate template requires several different types of data to input. Specifically it requires the number of military personnel, quantities of major equipment by type, anticipated activity rate and mission duration. In the initial phase of the decision-making process, which centres on the decision whether to participate on not in a mission, only a rough order of magnitude estimate is possible. However, the Canadian Forces Operational Planning Process⁴ defines these factors, and as a result, the data provided by the J3 Operations staff over time becomes more precise. The major organizational document prepared by planning staff is the Table of

Organization and Establishment (TO&E). This document details the Canadian Contingent through a list of positions by rank, trade or classification, their required qualifications and allocation of vehicles, by type, to specific individual personnel positions. This list is then used by the Deputy Chief of the Defence Staff to initiate the generation of forces for the contingent through the Chiefs of Staff of the Naval, Land and Air staffs. In actual practice, existing Canadian Forces units will fill the majority of these positions, but due to the unique characteristics of specific missions, existing units may need to be augmented with either additional capabilities or quantities of personnel.

The embedded spreadsheet data in the peacekeeping cost estimate template is updated annually, concurrently with each annual edition of the *DND Cost Factors Manual*. Costs in the spreadsheet are separated by fiscal year. This is very important, as peacekeeping missions often span more than one fiscal year. Repair & overhaul costs for major equipment is included in the *DND Cost Factors Manual* as part of the five-year average cost of each equipment type. The peacekeeping cost estimate template includes a repair and overhaul surcharge on all vehicles. The vehicle usage surcharge in the spreadsheet is included in recognition of the higher repair and overhaul costs resulting from equipment usage on deployed operations. Repair and overhaul surcharge costs are credited to the fiscal year when the equipment is expected to return to Canada.

Differences in Costs Due to Type of Peacekeeping Mission

The significant increase in annual incremental peacekeeping costs to the Canadian defence budget from 1991-92 through to 2003-04 is to a large extent due to the shift in Canadian Forces participation in UN peacekeeping missions to NATO peacekeeping missions, and in the greater complexity of the missions in which Canadian military personnel now serve. The increase in the number of deployed personnel did have some impact, however,

the cost of NATO missions – compared to UN missions – is significantly greater. This is due to the fact that the UN assumes responsibility for the “care and feeding” of contingents deployed to their missions, in addition to many of their operating costs. Consequently, this results in the UN provision of camp facilities, rations, fuel and other costs of the operation. In addition, Troop Contributing Nations negotiate with the UN for the provision of Contingent Owned Equipment to the UN in return for monthly standard reimbursement rates, or alternatively the use of UN Owned Equipment. The general practice is that developed countries provide Contingent Owned Equipment and developing nations use UN Owned Equipment. The value of the monthly reimbursement varies by the equipment type and the rates that have been agreed to by the United Nations General Assembly.⁵ The reimbursement rates do not cover the full cost of using CF equipment, but reflect the outcome of negotiated rates between all UN member states. In this regard, the rates are a compromise between the developed nations that largely fund UN peacekeeping missions through allocated cost shares and developing nations who need sufficient reimbursement to fund the cost of using their equipment.

United Nations reimbursement to Canada for the use of Contingent Owned Equipment is a source of revenue for the Government of Canada. This revenue is retained by DND. This retention of revenue is a reflection of the impact of the intensive use this equipment incurs and the adverse climatic conditions in which the equipment generally operates. The equipment receives much more intensive use while deployed, which increases the cost to the department of spare parts and subsequent repair and overhaul expenses. Retention of this revenue is intended to assist the department in offsetting some of these costs. Although the UN has the responsibility to reimburse nations on a monthly basis for the use of Contingent Owned Equipment, it is only able to do so when cash is available from contributions to that mission by member states. Depending on the mission, this can

result in delays of significantly greater than one year.

In addition to reimbursement for equipment, the UN provides Troop Contributing Nations a monthly troop reimbursement rate of US\$988 per soldier, as well as US\$70 per contingent member for the cost of personnel equipment, clothing and ammunition directly to the contributing government.⁶ This rate does not fully cover the cost of salaries paid to soldiers from developed countries such as the United States, Norway, Great Britain, Australia or Canada. However, it exceeds the salaries paid to soldiers from a number of large troop contributing lesser-developed countries. The rate, therefore, is a compromise agreed to by UN member states. UN reimbursement for the provision of troops is paid directly to DND. Troop reimbursement revenue is credited by DND to general government revenue in accordance with Canadian Treasury Board direction. The department does not retain this revenue, as the government already funds the department for Canadian Forces salaries. The department incurs significant monthly personnel related incremental expenses such as foreign duty allowances, hardship allowances and leave travel allowance. These costs are generally reimbursed to the department through the annual federal government Supplementary Estimates funding process as incremental mission costs.

In the case of NATO, the alliance operates under the principle of cost sharing for items in which common funding is accepted. As a consequence “all member countries contribute to financing the expenditures of the International Staff, the International Military Staff, and Military Committee agencies and to the common-funded elements of Peace Support Operations and Partnership for Peace activities.”⁷ The cost sharing formula is based on “ability to pay.” Calculation of a national “ability to pay” is derived from a combination of the size of national Gross Domestic Product, political considerations, and the ability of each nation to negotiate a favourable cost share.

Canada, as with other alliance members, does not receive any reimbursement from NATO for participation in NATO peacekeeping missions. Canada pays for all mission costs of the Canadian contingent on NATO missions. Indeed, this comes at an additional cost to Canada, when compared to our European allies, which operate with the benefit of short supply lines from NATO operations in Eastern Europe. NATO contingents operating within boundaries of alliance members normally receive Host Nation Support, which allows deployed contingents to reduce their support personnel. This is not the case; however,

In general, Canadian participation in coalition operations is at the full cost to Canada.

for NATO peacekeeping or peace-making operations, which operate outside the borders of NATO members. Nevertheless, peacekeeping costs in NATO missions can be marginally reduced when lead nations take responsibility for different types of support services or supply. For example, one nation may assume the responsibility for procuring, transporting and supplying petrol for alliance military vehicles in a theatre of operations, subject to cost reimbursement.

Coalition peacekeeping mission financial arrangements among participating nations are dependant on the type of mission and the nations involved. Nevertheless, in general, Canadian participation in coalition operations is at the full cost to Canada. In this regard, the cost to Canada is similar

in coalition operations to that of NATO peacekeeping missions.

The Peacekeeping Cost Estimate and Defence Management

The Canadian peacekeeping cost estimate provides valuable management information to the government, Parliament, DND, Canadian Forces, central agencies and to the Canadian public. A quarterly summary spreadsheet is published by the J8 Financial Coordination Centre and circulated internally within the department and to government officials. This document lists all the full and incremental costs of peacekeeping, as well as, any domestic aid of the civil power operations. The information in this spreadsheet is used for several different purposes. First, it assists senior defence public officials and military officers understand the costs to defence of peacekeeping in that fiscal year and the impact that it will have on the defence budget. Second, it provides a basis to discuss incremental in-year supplementary funding with federal Treasury Board Secretariat officials. Third, it provides defence planners with a source of detailed estimates on the cost of peacekeeping to centrally managed support budgets, such as for spare parts or vehicle maintenance. This information can then be used to mitigate the effect of incremental peacekeeping costs through the re-allocation of funding within the defence budget. Finally, the summary spreadsheet provides the DND Public Affairs Branch with a consistent source of financial information to provide in response to media or public inquiries on defence peacekeeping costs. The quarterly peacekeeping cost estimate summary spreadsheet is a catalyst for examining and understanding the impact of defence expenditures in the defence budget. Indeed, the utility of the summary spreadsheet to the Department of National Defence and Canadian Forces is that defence planners and decision-makers can use it at both the strategic and operational levels.

This article has provided an overview of the Canadian defence peacekeeping cost estimate process. The important linkage

that this process has in the administration of government funding from approval of participation to funding has been highlighted. The Canadian Forces have participated in peacekeeping missions for the past half-century. Continued Canadian military participation in peacekeeping missions is likely to continue at a high rate at least through late into the next decade. Therefore, the peacekeeping cost estimate process will continue to be an important source of information for decision-making within the Department of National Defence and the Canadian Forces.

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Footnotes

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